

25X1

*****C O N F I D E N T I A L*****S COPY

OP IMMED

#0844 17 0845 25X1

O 250829Z JUN 74 ZNY
FM ROME

TO THE WHITE HOUSE

C O N F I D E N T I A L 250829Z JUN 74

FM AMBASSADOR VOLPE ROME 844
TO THE WHITE HOUSE, FOR THE PRESIDENT

1. I WAS EXTREMELY PLEASED THAT YOU OFFERED TO SEE PRIME MINISTER RUMOR IN BRUSSELS ON JUNE 26. FOR YOUR FURTHER BACKGROUND, I WISH TO UPDATE THE REPORT I GAVE YOU AT OUR MEETING IN WASHINGTON ON JUNE 6.

2. RUMOR AND HIS GOVERNMENT ARE GOING THROUGH ONE OF THE MOST CRITICAL PERIODS ITALY HAS FACED SINCE THE WAR. WHILE I WAS IN WASHINGTON, FAILURE OF RUMOR TO GET THE AGREEMENT OF THE SOCIALIST PARTY FOR AN ECONOMIC STABILIZATION PACKAGE CAUSED HIS RESIGNATION WHICH, IN AN UNPRECEDENTED STEP, WAS REJECTED BY PRESIDENT LEONE WHO SENT RUMOR BACK TO TRY AGAIN WITH THE SAME TEAM.

MORI/CDF per C05147283

3. THE MOVE WAS SUCCESSFUL. ON JUNE 18, THE PARTIES WERE ABLE TO AGREE ON A COMPREHENSIVE STABILIZATION PROGRAM INVOLVING HEAVY INCREASES IN REVENUES AND RESTRICTIONS ON CREDIT. RUMOR WILL BE RETURNING TO ROME AFTER HIS MEETING WITH YOU TO PRESENT THIS PROGRAM TO THE PARLIAMENT IN WHAT IS TANTAMOUNT TO A VOTE OF CONFIDENCE IN HIS GOVERNMENT.

4. AGREEMENT ON THE PROGRAM IS OF CRITICAL IMPORTANCE FOR THE FUTURE OF THE ITALIAN ECONOMY AND ALSO FOR THE HEALTH OF ITALY'S MAJOR TRADING PARTNERS. ACCEPTANCE OF THE PROGRAM WILL MAKE IT POSSIBLE FOR ITALY ITALY'S EC PARTNERS AND OTHER COUNTRIES, INCLUDING THE UNITED STATES, TO SEEK TO OFFER ECONOMIC ASSISTANCE IN IMPLEMENTING THE PROGRAM. I WOULD HOPE YOU COULD TAKE THIS OCCASION TO COMPLIMENT RUMOR ON GOI'S FIRM ECONOMIC STANCE AND ENCOURAGE HIM TO STICK TO IT, NOT ONLY FOR ITALY'S OWN GOOD BUT FOR THE OVERALL BENEFIT OF OUR INTERDEPENDENT ECONOMIES.

State Dept. review completed

5. IN ADDITION TO ITS ECONOMIC AND FINANCIAL DIFFICULTIES, ITALY IS FACING SEVERE POLITICAL PROBLEMS AS WELL. THE SURPRISINGLY LARGE SET-BACK IN THE DIVORCE REFERENDUM AND COMMUNIST-SOCIALIST GAINS AND CHRISTIAN DEMOCRATIC LOSSES IN SUBSEQUENT SARDINIAN REGIONAL ELECTIONS HAVE FURTHER INCREASED PRESSURES FOR A NEW AND "HISTORIC COMPROMISE" WITH THE PCI. MY CONCERN IS THAT THE DEMOCRATIC PARTIES IN ITALY HAVE

***** W H S R C O M M E N T ***** ON-FILE NSC RELEASE INSTRUCTIONS APPLY *****

SCOWCROFT, KENNEDY

PSN:029074 PAGE 01

TOR:176/09:34Z

DTG:250829Z JUN 74

*****C O N F I D E N T I A L*****S COPY

*****C O N F I D E N T I A L*****S COPY

LITTLE TIME LEFT TO PROVE TO THE ELECTORATE THAT THEY HAVE THE WILL AND WHEREWITHAL TO EFFECTIVELY GOVERN THE COUNTRY. I WOULD HOPE THAT YOU COULD EXPRESS CONTINUED CONFIDENCE IN RUMOR AND IN HIS PARTY'S AND THE OTHER COALITION PARTIES' ABILITY TO MEET THIS CURRENT CHALLENGE AND TO CONTINUE ITALY ON A DEMOCRATIC COURSE. I THINK IF YOU COULD EMPHASIZE THAT THE ENTRY OF THE ITALIAN COMMUNIST PARTY INTO THE ITALIAN GOVERNMENT WOULD ONLY COMPLICATE THE TASKS WHICH ITALY FACES WOULD GREATLY ENCOURAGE HIM AND HIS PARTY TO MUSTER THE NECESSARY POLITICAL WILL TO RESIST FORCEFULLY THIS POTENTIALLY DAMAGING ALLIANCE WITH THE PCI. A COMBINATION OF THIS WILL TOGETHER WITH A COMMITMENT TO MUCH NEEDED SOCIAL AND ECONOMIC REFORMS WOULD DO MUCH IN MY VIEW TO DIMINISH PCI POPULAR APPEAL HERE IN ITALY.

6. MY PRAYERS AND BEST WISHES FOR YOUR SUCCESS IN BRUSSELS AND IN MOSCOW.
E2 IMPDET

PSN:029074

PAGE 02

OF 02

TOR:176/091042

DTG:250829Z JUN 74

*****C O N F I D E N T I A L*****S COPY